

## Message Text

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PAGE 01 ROME 11863 291424Z

44

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 NEA-14 AEC-11

DODE-00 FEAE-00 FPC-01 INT-08 PM-07 SAM-01 SCI-06

DRC-01 /228 W

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R 291256Z AUG 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6629

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

DEPT OF TREASURY WASHDC

UNCLAS ROME 11863

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: CARLI DISCUSSES SOURCES FOR FINANCING ITALIAN  
BALANCE OF PAYMENTS DEFICIT

REF: ROME 11468 DATED 21 AUGUST 1974

1. /SUMMARY/: SEPTEMBER 1 ISSUE OF WEEKLY POLITICAL/ECONOMIC  
UNCLASSIFIED

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PAGE 02 ROME 11863 291424Z

MAGAZINE /L'ESPRESSO/, RELEASED AUGUST 29, CARRIED INTERVIEW

WITH GOVERNOR OF BANK OF ITALY GUIDO CARLI. CARLI DISCUSSED POSSIBLE SOURCES OF FOREIGN FINANCING OF ITALIAN BALANCE OF PAYMENTS DEFICIT AND CLARIFIED CERTAIN POINTS RELATING TO RECENT DISCUSSIONS IN BONN BETWEEN GERMAN AND ITALIAN FINANCE MINISTERS (REFTEL). /END SUMMARY/.

2. ON EVE OF MEETING BETWEEN WEST GERMAN CHANCELLOR SCHMIDT AND ITALIAN PRIME MINISTER RUMOR, /L'ESPRESSO/ PUBLISHED INTERVIEW WITH BOI GOVERNOR CARLI FOCUSING ON GOI'S EFFORTS TO NEGOTIATE FOREIGN LOANS FOR FINANCING BALANCE OF PAYMENTS DEFICIT. ATTEMPTING TO ALLAY UNDUE CONCERN ABOUT ITALIAN FINANCIAL SITUATION, CARLI OPENED INTERVIEW BY NOTING THAT UNUTILIZED CREDITS AVAILABLE TO ITALY AT PRESENT TIME AMOUNTED TO SOME \$5 BILLION. HE SPECIFICALLY CITED \$900 MILLION AVAILABLE FROM IMF AND COMPLEX OF SWAPS WITH CENTRAL BANKS OF US, GERMANY, SWITZERLAND, AND CANADA. HE NOTED, HOWEVER, THAT CENTRAL BANK SWAPS WERE SHORT-TERM WITH ONLY THREE-MONTH MATURITY.

3. IN COMMENTING ON RECENT TRIP TO BONN, CARLI DESCRIBED ITALY'S INTEREST IN:

1) INCREASING NETWORK OF SWAPS WITH VARIOUS CENTRAL BANKS;

2) CONSOLIDATING SHORT-TERM CREDIT WITH EC;

3) OBTAINING MEDIUM-TERM LOANS FROM CENTRAL BANKS GUARANTEED BY GOLD COLLATERAL; AND

4) NEGOTIATING LONG-TERM LOAN WITH COMMUNITY WHICH WOULD BE PLACED WITH OIL-PRODUCING COUNTRIES.

4. ACCORDING TO CARLI, FEDERAL REPUBLIC OF GERMANY REPRESENTS "KEY" TO ALMOST ALL OF PRECEDING OPERATIONS. HE NOTED THAT GERMAN ATTITUDE WITH REGARD TO ITALIAN SITUATION HAD IMPROVED CONSIDERABLY AND HAS INCREASED POSSIBILITY THAT, WITHIN REASONABLY SHORT TIME, STUDY PRESENTLY UNDER WAY IN EC FOR CREATING FINANCIAL MECHANISM WITHIN COMMUNITY TO ACQUIRE CAPITAL AND EXTEND LOANS TO MEMBER STATES WOULD BE CONCLUDED. HE ATTRIBUTED CHANGE IN GERMAN ATTITUDE TO PASSAGE OF NEW TAX UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 11863 291424Z

DECREES AND TIGHT CREDIT POLICY WICH CONFIRMED SERIOUSNESS OF GOI INTENTION TO REDUCE BALANCE OF PAYMENTS DEFICIT. WHEN ASKED ABOUT ANY SPECIAL GUARANTEES ITALY MIGHT BE REQUIRED TO GIVE FRG OR EC, CARLI REPLIED THAT QUESTION OF GUARANTEES WOULD BE DEALT WITH AFTER TECHNICAL DETAILS OF SUCH OPERATIONS HAD BEEN WORKED OUT. IN ANY CASE, GUARANTEES WOULD BE THOSE WHICH DEBTOR WOULD FURNISH ANYWAY WITHOUT BEING ASKED, I.E., EFFORTS TO PUT ITALY'S BALANCE OF PAYMENTS IN

ORDER AND PRODUCTIVELY UTILIZE BORROWED CAPITAL IN ORDER TO REPAY IT WHEN LOAN IS DUE.

5. CARLI AFFIRMED THAT ITALIAN FINANCIAL SITUATION WAS SHOWING SOME SIGNS OF IMPROVEMENT. BALANCE OF PAYMENTS IN JULY WAS IN SURPLUS. ALTHOUGH DATA FOR AUGUST WAS NOT YET AVAILABLE, DAY TO DAY DEVELOPMENTS, EVIDENT THROUGH OPERATION OF FOREIGN EXCHANGE OFFICE, INDICATED THAT THERE WOULD NOT BE EXCHANGE LOSSES IN AUGUST. THERE WERE, HOWEVER, TWO DEFINITE DEVELOPMENTS EVIDENT FROM AVAILABLE DATA. THE FIRST, A NOTABLE REDUCTION IN NON-OIL DEFICIT, A PHENOMENON WHICH BEGAN IN APRIL AND IS CONTINUING. SECOND, CONTINUATION OF LARGE DEFICIT AS RESULT OF PETROLEUM IMPORTS. ITALIAN OBJECTIVE IS TO SHOW THAT NON-OIL DEFICIT IS GRADUALLY BEING ELIMINATED SO THAT THERE IS JUSTIFICATION FOR OBTAINING INTERNATIONAL CREDITS TO FINANCE OIL DEFICIT. CARLI INSISTED THAT FINANCING OF OIL-RELATED DEFICIT SHOULD BE CARRIED OUT BY EUROPEAN COMMUNITY'S PLACING LONG-TERM ISSUE WITH PETROLEUM PRODUCING COUNTRIES AND FURNISHING GUARANTEES TO COUNTRIES AND INSTITUTIONS WHICH WOULD BE LENDING CAPITAL. HE DID NOT EXCLUDE POSSIBILITY OF EC LOAN TO MEMBER COUNTRIES NOT FUNDED BY PETRO-DOLLARS, NOTING THAT THIS WAS ONE POSSIBILITY STILL UNDER STUDY BUT THAT COMMUNITY LOAN PLACED WITH PETROLEUM PRODUCERS WAS MOST INTERESTING FROM POINT OF VIEW OF EQUILIBRIUM IN INTERNATIONAL CAPITAL MARKETS. HE WENT ON TO SAY THAT COMMUNITY LOAN FROM EUROS DOLLAR MARKET WAS UNLIKELY BECAUSE MARKET WAS PRESENTLY EXPERIENCING "PHASE OF RELATIVE TENSION" DUE TO FACT THAT PETROLEUM ROYALTIES WERE BEING CONVERTED INTO DOLLARS AND USED TO PURCHASE US SECURITIES. VOLPE

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, MINISTERS (DIPLOMATS), FOREIGN ASSISTANCE, MEETINGS, DIPLOMATIC DISCUSSIONS, BALANCE OF PAYMENTS DEFICITS  
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**Review Content Flags:**  
**Review Date:** 09 OCT 2002  
**Review Event:**  
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**TAGS:** EFIN, IT, SW, US, CA, (CARLI, GUIDO)  
**To:** STATE  
**Type:** TE  
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